

Hart Schaffner & Marx



ANNUAL
REPORT
FOR 1972

STANDARD PUBLIC INFORMATION
BUSINESS INFORMATION
CORPORATION FILE



Board of Directors

John D. Gray, *Chairman*
Lee S. Bickmore
Charles L. Brown
James F. Chambers, Jr.
Paul A. Conley
Jerome S. Gore
Arthur Gunzberg
Walter M. Heymann
Walter B. D. Hickey, Sr.
Burton B. Ruby
Elmer Schlesinger, Jr.
Clay E. Steele
James K. Wilson, Jr.
Robert J. Witt

Honorary Director

Harry L. Wells

Corporate Officers

John D. Gray, *Chairman and Chief Executive Officer*
Jerome S. Gore, *President*
James K. Wilson, Jr., *Executive Vice President*
(also President of Hart Schaffner & Marx Clothes)
Robert J. Witt, *Executive Vice President (also Chairman*
and Chief Executive Officer of Retail Stores Division)
John R. Meinert, *Senior Vice President*
Richard L. Barker, *Vice President and Controller*
Donald G. Carney, *Vice President*
Hugh H. Gallarneau, *Vice President*
Richard W. Garbe, *Vice President and Secretary*
Leonard W. Jaffe, *Vice President*
Keith Munroe, *Vice President*
William B. Snow, *Vice President and Treasurer*
Charles L. Stewart, Jr., *Vice President*
and General Counsel
William J. White, *Vice President*
H. John Yopp, *Second Vice President*

Hart Schaffner & Marx Corporate Office

36 South Franklin Street, Chicago, Ill. 60606

TRANSFER AGENTS

The First National Bank of Chicago, Chicago, Ill. 60690
Bankers Trust Company, New York, N.Y. 10015

REGISTRARS

Continental Illinois National Bank and Trust Company
of Chicago, Chicago, Ill. 60690
Chemical Bank, New York, N.Y. 10015

*Hart Schaffner & Marx common shares are traded
(under the "HSM" symbol) on the New York and
Midwest Stock Exchanges.*

Hart Schaffner & Marx Clothes Division

36 South Franklin Street, Chicago, Ill. 60606
9 Plants: Chicago (5) and Rock Island (2), Ill.;
Rochester, Ind.; and Chaffee, Mo.

Hart Schaffner & Marx Retail Stores Division

36 South Franklin Street, Chicago, Ill. 60606

Hickey-Freeman Co., Inc.

1155 Clinton Ave. North, Rochester, N.Y. 14621
5 Plants: Rochester (2), Buffalo, East Rochester
and LeRoy, N.Y.

Jaymar-Ruby, Inc.

5000 South Ohio Street, Michigan, City, Ind. 46360
9 Plants: Michigan City (4) and East Chicago, Ind.;
Anniston and Russellville, Ala.; Elizabethtown, Ky.;
and Rector, Ark.

M. Wile & Company, Inc.

77 Goodell Street, Buffalo, N.Y. 14240
5 Plants: Buffalo (4) and Dunkirk, N.Y.

Johnny Carson Apparel, Inc.

77 Goodell Street, Buffalo, N.Y. 14240

Gleneagles/Great Western

Gleneagles Court, Baltimore, Md. 21204
4 Plants: Baltimore and Bel Air, Md.; Minneapolis
and Chisholm, Minn.

Austin Reed of Regent Street

36 South Franklin Street, Chicago, Ill. 60606

Craigmore Clothes, Inc.

400 South Peoria Street, Chicago, Ill. 60607

Blue Jeans Corporation

130 West 34th Street, New York, N.Y. 10001
4 Plants: Whiteville, Kelly and Henderson, N.C.;
and Bethune, S.C.

California Sportwear Company

1024 South Maple Avenue, Los Angeles, Calif. 90015

Stuart Nelson Apparel Company

8597 Santa Monica Blvd., Los Angeles, Calif. 90069

New York City sales offices

1290 Avenue of the Americas, New York, N.Y. 10019

*COVER: Johnny Carson, photographed at his
California home, models his "denim look" suit,
one of the most successful fashion innovations
presented by Johnny Carson Apparel, Inc.
for Spring 1973.*

Highlights

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	Years ended November 30,	
	1972	1971
Net sales	\$423,114,000	\$372,022,000
Net earnings	14,190,000	10,350,000
Average shares outstanding — common shares and common share equivalents	8,805,000	8,749,000
Earnings per share	1.61	1.18
Cash dividends per share	.80	.80
Shareholders' equity	158,246,000	149,645,000
Equity per share	17.98	17.12
Working capital	\$155,605,000	\$147,528,000
Additions to property and equipment	7,763,000	9,249,000
Depreciation	6,377,000	5,905,000
Employees	20,000	19,000
Shareholders	7,200	7,200
Retail stores	258	256

To our shareholders:

It is noteworthy that 1972 was a year of substantial improvement in both sales and earnings for your Company.

Consolidated sales increased 13.7 percent in 1972, setting a new record of \$423,114,000 compared to \$372,022,000 in 1971. Manufacturing volume increased to a record high of about \$200 million, of which approximately one-fourth was shipped to stores owned by the Company and is, therefore, excluded from consolidated sales. Sales of the retail stores were approximately \$290 million in 1972, including the sales of departments leased to others but not included in consolidated sales.

Net earnings were \$14,190,000, an increase of \$3,840,000 or 37.1 percent, compared with earnings of \$10,350,000 in 1971. Earnings were substantially higher than the previous year in each quarter, and a new record was set for the fourth quarter. Earnings per share increased to \$1.61 in 1972 from \$1.18. Higher profits from both manufacturing and retailing contributed to the improved earnings.

Your Company owns an outstanding group of 258 apparel stores operating in 73 U.S. metropolitan areas. Sales of the Retail Stores Division set a new record high in 1972 with a 10 percent increase over 1971. In the past five years, 87 new stores have been opened. Sales in these stores

continue to improve as they approach their potential. Women's apparel sold by the Company's 17 women's specialty stores and approximately one-half of its 241 men's stores accounted for \$60 million of the 1972 retail volume. Six men's and two women's stores were opened in 1972. Twelve more stores are planned to be opened in 1973.

The consent order entered June 1, 1970 settling the anti-trust suit required the Company to select and divest 30 stores by October 31, 1973 of which five were to be sold by December 31, 1971. An extension to April 30, 1972 was approved by the U.S. Department of Justice and the Federal District Court and the five stores were sold within the extended time limit. Two additional stores were sold in July 1972.

All of the manufacturing divisions enjoyed sales increases in 1972. The Company's sales to its thousands of independent accounts increased over 13 percent without including the sales of Blue Jeans Corporation, which was purchased for cash in January 1972. Retailers and consumers alike are responding enthusiastically to the quality men's apparel manufactured by the Company. Sales of Johnny Carson, Jack Nicklaus and Austin Reed of Regent Street products continue to show dramatic growth.

The Company has developed dynamic programs for marketing and promoting the Com-

pany's products. For the first time, a national television campaign is planned featuring Hart Schaffner & Marx clothing. During the fall 1973 season, this series of commercials will be on ABC Monday Night Professional Football reaching 23 million viewers per telecast, and on the Saturday afternoon NCAA College Football telecasts reaching 14 million.

The Company has taken important steps to expand its base in providing a wide variety of apparel for the broad U.S. market. Sales are being stimulated by exciting new lifestyle fashions which appeal to an increasingly diversified market. These include suits plus coordinated slacks, blazer suits, interesting fabrics, colors and designs. Men require larger wardrobes for today's business or professional life and for their leisure, travel and sports activities. They are very interested in the new suit and sportswear fashions. The large number of young men born shortly after World War II are potential customers for the Company and these new fashions are particularly attractive to them.

The Company is taking advantage of the growth opportunities in the sportswear field. Sport coats and slacks are increasing in importance for all of the Company's tailored clothing divisions. Jaymar-Ruby's sales of slacks doubled in the last five years. Blue Jeans Corporation is being expanded to take advantage of this market. Gleneagles and Great Western were combined in 1972 into an outerwear, jackets and coordinated sportswear division with one sales force. These salesmen will also sell the "Californian" brand of leather and suede sports apparel made by California Sportswear Company, a manufacturer purchased for cash in January 1973. A new subsidiary, Stuart Nelson Apparel Company, will market related sportswear for the fall 1973 season. Mr. Nelson has earned an enviable reputation as a men's stylist.

Results for December and January are encouraging and prospects for 1973 appear bright. We are in the midst of a strong upsurge in the economy with a substantial improvement in consumer income. The public is spending more freely and Phase 3 controls are not expected to cause any difficulty in obtaining normal profit margins. The Company's financial condition is excellent and no bank loans were outstanding at January 31, 1973. It is in a position, in both manufacturing and retailing, to take full advantage of the improved economic conditions in our country.

During 1972, James K. Wilson, Jr., corporate executive vice president, was also elected president of the Hart Schaffner & Marx Clothes Division. Robert J. Witt was elected an executive vice president of the corporation and chairman and chief executive officer of the Retail Division. William H. Mier succeeded Mr. Witt as Retail Division presi-

dent. William B. Snow was elected corporate vice president and treasurer in January 1973.

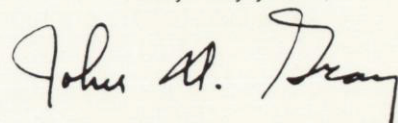
On January 17, 1973, James F. Chambers, Jr., chairman and chief executive officer of the Times Herald Printing Company and publisher of the Dallas Times Herald, was elected a director. He is a director of the Times Mirror Company and the Republic National Bank of Dallas, and serves numerous civic organizations in Dallas. We welcome him to our board.

Joseph Halle Schaffner, director, former officer and son of a founder of Hart Schaffner & Marx, passed away on August 9, 1972. Mr. Schaffner served as a director for 50 years and was a bibliophile, philanthropist and founder of the Graduate Faculty at the New School for Social Research in New York. He contributed greatly to the Company. We are saddened by his death.

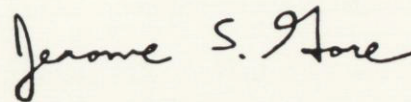
Harry L. Wells, vice president emeritus of Northwestern University, resigned from the board of directors at the January 1973 meeting. Mr. Wells has made a valuable contribution to the welfare of the Company. He will continue his interest in our Company as an honorary director. All of us are deeply indebted to him for his 25 years of unselfish service as a director of Hart Schaffner & Marx.

The Company is indeed fortunate that its products and its retail stores have earned a remarkable reputation with its customers for quality and service. This reputation was attained over many years and may be attributed primarily to the dedicated efforts of our loyal associates. Our officers and directors join us in expressing our sincere appreciation to them.

Very truly yours,



Chairman and
Chief Executive Officer



President

February 28, 1973

Manufacturing and Marketing

The increased demand by the male consumer for great variety in apparel fashions presents one of the most important market-oriented opportunities for the Company. Today's market has become quite diversified as men are purchasing distinct types of attire appropriate for their various activities—work—home—travel—leisure—sports. Customers of all ages and incomes desire expanded wardrobes which reflect individual tastes and lifestyle fashions.

The Hart Schaffner & Marx lifestyle marketing approach matches the whole spectrum of stylish tastes. Your Company is continuing to develop new concepts and styling ideas, and has created new brands and new businesses directed at specific segments of the broad apparel market. This type of growth from within is being accomplished with little investment risk.

The response to the application of these concepts throughout the Company continues to be excellent and deserves special comment. Johnny Carson Apparel, Inc., a subsidiary of the M. Wile division, is an outstanding example. This new business commenced in 1970 with the very popular Johnny Carson as president and director. The Carson Collection offers youthful, advanced fashions in the American manner in the intermediate-price range. Johnny Carson, appearing on the cover of this report, approves these styles and also is his own best model for national ads and television commercials. Sales of this great new brand, in the face of adverse industry conditions, have shown dramatic growth and are expected to exceed \$20 million at wholesale for 1973. In addition, independent licensees are selling Johnny Carson shirts, ties and other accessories.

Space was recently added in Buffalo to increase M. Wile's capacity to produce Johnny Carson clothing. M. Wile also manufactures suits and sport coats directed to the business or professional man who prefers his clothing to be moderate in price and fashion but always up-to-date in good taste. In its spring 1973 advertising campaign, M. Wile will feature the "Great White Suit."

For Fall 1973, Society Brand, Ltd. will launch a series of advertisements photographed at famous restaurants of Europe. Avenida Plaids, shown here, was photographed in Lisbon's famed Aviz restaurant.

The Austin Reed of Regent Street division was formed to manufacture internationally designed clothing in the United States at price levels below the Hart Schaffner & Marx brand. Following a test marketing program, this new brand was launched on a national basis in 1972. It appeals to the man who prefers fashion with a flair but with a traditional British flavor. The staff of Austin Reed Group Limited of Great Britain assists in its lifestyle marketing and all photography for its national advertising campaign is taken on location in England. Sales of this division more than doubled in 1972 and over 100,000 suits and sport coats are expected to be sold in 1973.

Your Company recognizes that many companies want the benefits of styles designed especially for their business. The Fashionaire division was established in 1965 to produce and distribute career apparel. It serves 11 major airlines as well as American Telephone & Telegraph, John Deere, Avis and a number of other companies in addition to Boy Scouts, banks and various financial institutions. Sales increased in 1972 and are expected to almost double in 1973. Employees are very receptive to the advantages of career wear.

Under the Hart Schaffner & Marx label, "lifestyle

(Upper right) Career apparel by Fashionaire™ for such organizations as major air lines, car rental companies and banks.

(Lower right) Golfer Tom Shaw models Jaymar-Ruby's Sansabelt II® Slacks from the Spring 1973 line.

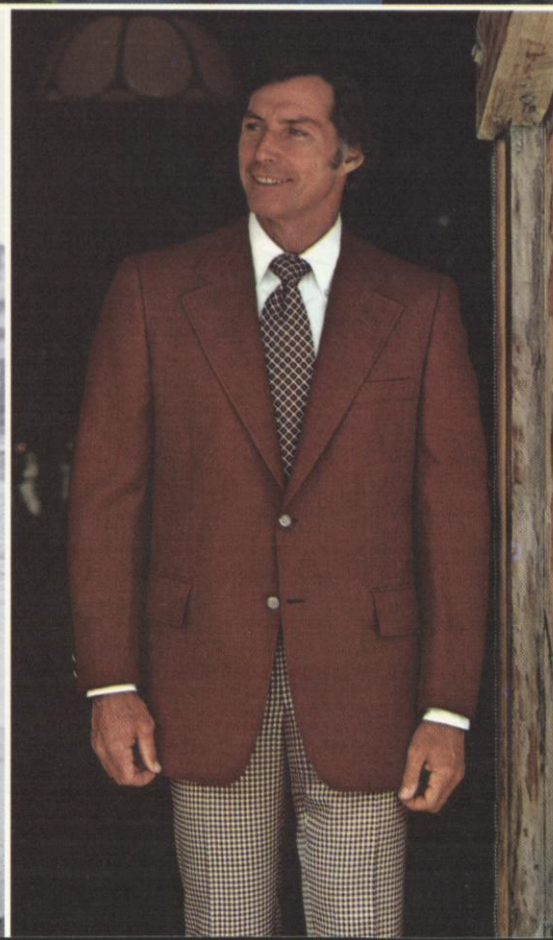
(Top center) Jack Nicklaus models a sport coat from a new group of British knit fabrics to be introduced this Fall by Hart Schaffner & Marx.

(Lower center) Advertisements featuring photographs taken "on location" in England emphasize the British character of Austin Reed of Regent Street® clothing.

(Far right, above) Bob Hope wears a Hart Schaffner & Marx Blazer Suit from the Desert Classic® Collection, tailored in the Company's exclusive Stretch-8® weave.

(Far right, below) Tailoring craftsmanship at its very best is exemplified in this "Diamond Head®" pure wool sport coat by Hickey-Freeman.





collections" of suits, sport coats and slacks give every man his option of looking the way he wants to look. The Corporate Collection is for the business or professional man who prefers to dress in good taste and somewhat conservatively. The Escadrille Collection is designed for the young man who can afford fine clothing and wants an exciting, innovative, bolder look. The Baccarat International Collection consists of advance fashion clothing for the man who wants to dress in a sophisticated and highly individual manner. The Sportsmen's Collection of sport coats, blazers, blazer suits, sports trios and sport slacks is built around our highly successful Jack Nicklaus and Bob Hope Desert Classic promotions. Color, comfort and freedom of action have been emphasized in the new fabrics for this collection. The Jack Nicklaus program is one of the most successful in the Company's history with sales already in excess of \$15 million at wholesale.

Advertising campaigns have been prepared to promote all of these Hart Schaffner & Marx fashions in national magazines and on television, aimed at the men who buy this clothing. During the fall 1973 season a series of full-color commercials on ABC Monday Night Professional Football will reach 23 million fans every week and on Saturday afternoon NCAA College Football telecasts will reach 14 million.

Hart Schaffner & Marx Clothes has also developed the Sterling & Hunt and Graham & Gunn, Ltd. brands. The Sterling & Hunt line attracts customers in the same market, but with a different label than Hart Schaffner & Marx. Graham & Gunn, Ltd. is carried by exclusive men's specialty stores such as F. R. Tripler and Capper & Capper, Ltd. and is sold to business and professional men who like traditional and natural shoulder clothing. The Company expects to

extend its lifestyle apparel marketing concepts to Japan, beginning with the Sterling & Hunt and Graham & Gunn, Ltd. brands, under a license and technical assistance agreement now being negotiated with Marubeni, a large Japanese trading company.

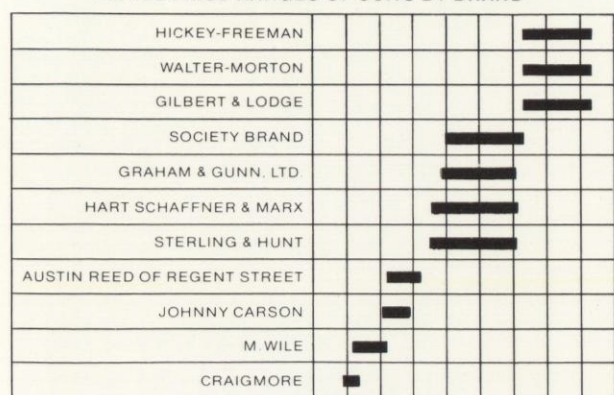
Society Brand is now Society Brand, Ltd., signifying the change to a division which will produce a completely different line that is international in concept. The distinctive "Windrose" used by the 16th Century map makers to indicate wind directions will be its symbol for new directions in fashion. The garment will have European accents, a unique Society Brand, Ltd. "wing" interior construction, luxurious full jacquarded Windrose lining with custom stitched edging, and special pocket treatment including an inside passport pocket. Nino Cerruti, international designer, fabric stylist, member of the Paris Couture Group, and owner of a prestigious men's store in Paris, the Biella textile mill and a men's clothing factory in Italy, will aid in the development of exclusive fabrics and models. Beginning with the fall 1973 season, Nino Cerruti's name will be included in the labels and national advertising. Five national magazine advertisements in fall 1973 will show Society Brand, Ltd. clothing photographed in famous restaurants in different European cities.

An important market segment is represented by the Hickey-Freeman customer who can afford and demands the very best in men's clothing. There is no better way for a retailer to advertise his message of quality and prestige than through Hickey-Freeman. Its products are featured in America's finest retail stores. It has but one standard of the highest tailoring excellence in its Hickey-Freeman, Walter-Morton and Gilbert & Lodge brands. Hickey-Freeman has recruited skilled tailors and improved its capacity. This allowed a limited number of new accounts and Hickey-Freeman sales and profits increased in 1972.

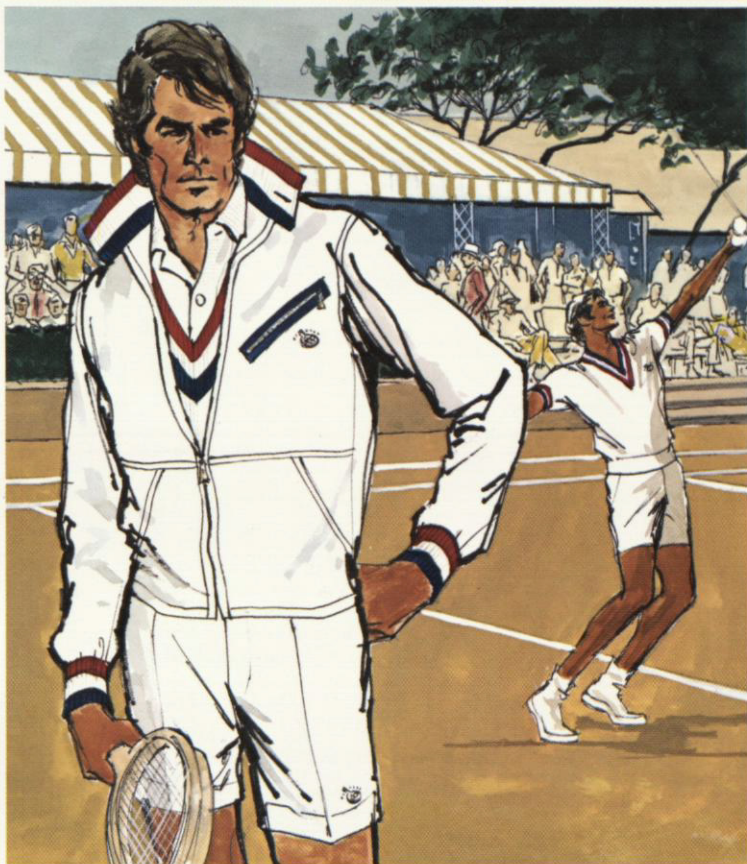
The Craigmore Clothes, Inc. division in Chicago has produced tailored suits and sport coats for Sears, Roebuck & Co. for over 50 years. Sears sells this clothing to its growing market through its own advertising programs.

The Company is in a good position to benefit from the interest in leisure and sports activities and enjoyed large increases in sportswear sales in 1972. Sport coats, slacks, jackets, outerwear and other sportswear now account for over 40 percent of the Company's total sales of men's apparel. The emphasis on casual wearing apparel and the larger proportion of young men in the country's population provide opportunities for

RETAIL PRICE RANGES OF SUITS BY BRAND



RETAIL PRICE: \$50 75 100 125 150 175 200 250 300 350



your Company to expand in the sportswear field. The Company is taking advantage of these opportunities and expects continued growth in this area of its business.

Jaymar-Ruby, Inc. is the largest producer of better slacks in the United States. This division offers a broad scope of lifestyles from contemporary concepts to very advanced styles and advertises extensively on the Today and Tonight television shows as well as in national magazines. Sansabelt II, with a concealed washable inner elastic webbing, has gained wide acceptance since this slack was introduced a year ago. Jaymar appeals to the golf enthusiasts through programs involving professional golfers Cary Middlecoff and Tom Shaw. Golf slacks are distributed through pro shops as well as specialty and department stores. For fall 1973 Jaymar is adding a line of tailored sport coat and slack coordinates.

Silver/Gulfstream, Inc., a wholly-owned subsidiary of Jaymar-Ruby, Inc., markets the Quick-silver Slax and PG's. This youthful line of casual and dress slacks for the fashion-conscious man, will also include coordinated sweaters and jackets, called "Pants Grabbers".

During 1972, the Gleneagles and Great Western subsidiaries were combined into the Gleneagles/Great Western division with one sales force. Gleneagles/Great Western products include weathercoats, casual jackets, outerwear, coordinated leisure sportswear and active sportswear. Special collections are produced for the golfer, the skier, and the boating enthusiast. A spring 1973 tennis collection for men and boys bears the label and identification of World Championship Tennis, the organization which sponsors the professional championship tennis tournaments. This division also produces weathercoats and sportswear sold under the Johnny Carson and Austin Reed of Regent Street labels.

The Company's action involving the addition of Blue Jeans Corporation, California Sportswear Co. and Stuart Nelson Apparel Co. is described in the letter to shareholders. Richard Wasserman, Jr., newly elected as chairman and chief executive of Blue Jeans, will be directing its expansion.

(Above) Graham & Gunn, Ltd. marshals a "Highland Tattoo" of plaid patterned suits presented in its Spring 1973 advertising.

(Below) "Gleneagles makes it official™" as manufacturers of tennis wear for the World Championship Tennis Organization.

Retail Stores Division

Sales of the Retail Stores Division set a new record high of \$290 million in 1972, including leased departments. A sales increase of 10 percent over the 1971 record was achieved with about the same number of stores. Men's tailored clothing sales enjoyed especially large increases. The stronger economy and the consumer's attitude toward spending for apparel benefited the retail stores. The Retail Stores Division was prepared to meet this demand with well-balanced inventories and good service. Careful expense control and economies, combined with improvements in virtually all segments of the retail operations produced substantial increases in earnings for 1972.

The division opened eight new stores in 1972. Six of these were men's specialty stores. Two were women's specialty stores added to Chas. A. Stevens in Chicago in the Woodfield Mall and Yorktown Shopping Centers. The six new men's stores were added in shopping centers by Baskin's of Chicago (Woodfield), Wallachs of New York (Manhasset), Wolf Bros. of Tampa (Tyrone Square, St. Petersburg), Klopfenstein's of Seattle (Bellevue), Kleinhans of Buffalo (Eastern Hills) and Jack Henry of Kansas City, Missouri (Blue Ridge). The Company now owns 258 apparel stores operating in 73 metropolitan areas encompassing two-thirds of the United States population.

Women's apparel now accounts for \$60 million or 20% of the retail stores' volume. This is sold



Upper right: Interior of Wolf Bros. recently completed store in Tyrone Square. This is the fifth unit for this Tampa-St. Petersburg, Florida operation.

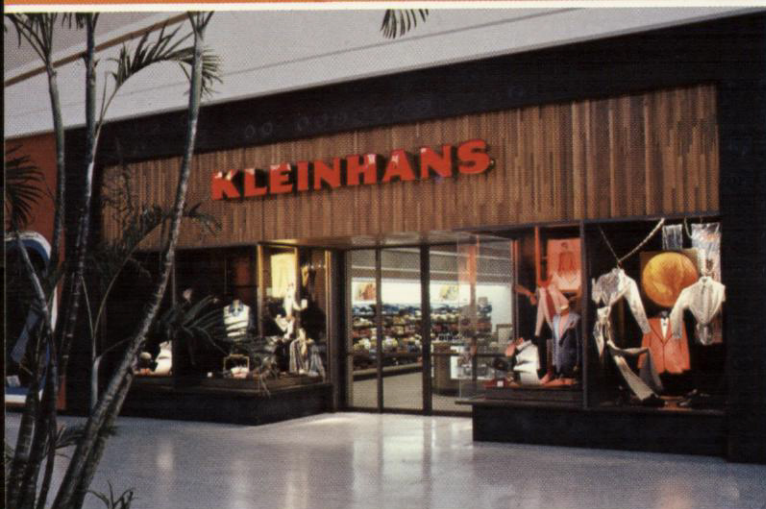
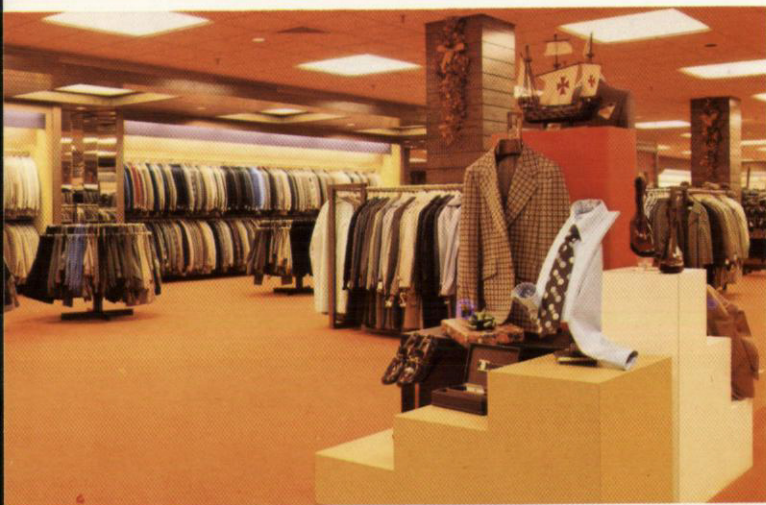
Center right: One of many youth oriented shops to be found within Hart Schaffner & Marx retail stores. This one is in Baskin's new Woodfield Mall store.

Lower right: Klopfenstein's contemporary new store in Bellevue Square Shopping Center, Washington.

Far right, above: Clothing department in the Blue Ridge Mall store, opened in 1972 by Jack Henry in suburban Kansas City.

Far right, below: Chas. A. Stevens completely remodeled its famous Designer Shop in its State Street, Chicago, store.





by 17 women's specialty stores and about one-half of the 241 men's stores. Chas. A. Stevens has grown from five women's stores when it was acquired by the Company in 1969 to ten stores in 1972. Another store will be opened in the summer of 1973 in Old Orchard Shopping Center.

The Retail Stores Division is continuing its expansion program. About twelve more stores are planned to be opened in 1973. The remodeling program for existing stores, including a number of downtown locations, has proven quite successful in improving the sales volume of these locations. Almost \$5 million was invested in 1972 in opening new stores and remodeling existing stores, and \$6 million is budgeted for 1973.

Wallachs, our largest retail subsidiary, operates 29 stores in the metropolitan New York marketing area, New England and Florida. Baskin's operates 14 stores in major Chicago area locations and in Urbana, Illinois and Madison, Wisconsin. Baskin's 15th store will be opened in Park Forest, Illinois in spring 1973. Silverwoods operates 21 stores in the Los Angeles area including one in Las Vegas. Silverwoods has signed a lease for a new store to be opened in 1973 in the Broadway Plaza complex in Los Angeles.

Robert's, the leading manufacturer-retailer of men's quality clothing in Mexico, added a new store in 1972 in a northern suburb of Mexico City. Robert's is planning to expand its retail operations by opening several more stores during 1973. The first of these will be opened in Mexico City this spring and will be Robert's 13th retail store in Mexico. Seven of these stores are in the Mexico City metropolitan area, which has a population of over eight million.

Successful retailing requires both the right products and the right brands with marketing and advertising programs to aid in attracting customers into the store. Fortunately, the Retail Stores Division has been helped by the combination of the Company's outstanding brand names and store names which have built a remarkable reputation for providing high quality fashion apparel and personalized service.

Upper left: Clothing department in the new Baskin Woodfield Mall store.

Center: In 1972, Kleinmans opened this new unit in the Eastern Hills Mall, Buffalo, N.Y.

Lower left: DeJong's remodeled store in downtown Evansville, Indiana.

Hart Schaffner & Marx**Consolidated Statement of Earnings** *(thousands of dollars)**Years ended November 30,*

	<u>1972</u>	<u>1971</u>
Net sales	\$423,114	\$372,022
Other income	3,512	3,176
	426,626	375,198
Cost of goods sold	259,093	229,054
Selling, administrative & occupancy expenses	136,323	122,710
Interest	3,996	3,729
	399,412	355,493
Earnings before taxes	27,214	19,705
Taxes on income:		
Federal:		
Current	11,132	7,762
Deferred	30	312
State	1,862	1,281
	13,024	9,355
Net earnings for the year	\$ 14,190	\$ 10,350
Earnings per common share and common share equivalent	\$ 1.61	\$ 1.18

Consolidated Statement of**Shareholders' Equity** *(thousands of dollars)*

	<u>Par value of Preferred stock</u>	<u>Common stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Treasury shares</u>
Balance at November 30, 1970	\$94	\$21,427	\$21,743	\$103,135	\$239
Net earnings for the year				10,350	
Cash dividends paid:					
Preferred shares, \$2.00 per share				(189)	
Common shares, \$.80 per share				(6,852)	
Stock options exercised (12,600 shares)		31	264		
Acquisition & disposition (net) of 4,728 treasury shares					119
Balance at November 30, 1971	94	21,458	22,007	106,444	358
Net earnings for the year				14,190	
Cash dividends paid:					
Preferred shares, \$2.00 per share				(180)	
Common shares, \$.80 per share				(6,914)	
Stock options exercised (42,287 shares)		106	843		
Conversion of 12,210 preferred shares into 21,978 common shares	(12)	55	(43)		
Acquisition & disposition (net) of 9,655 treasury shares					251
Stock used for acquisitions (28,714 shares)		72	735		
Balance at November 30, 1972	\$82	\$21,691	\$23,542	\$113,540	\$609

(See accompanying notes to consolidated financial statements)

Hart Schaffner & Marx
Consolidated Balance Sheet (thousands of dollars)

November 30

Assets	1972	1971
CURRENT ASSETS		
Cash and short term investments	\$ 6,067	\$ 10,166
Accounts receivable, less allowance of \$2,913,000 & \$2,859,000 for doubtful accounts	76,720	67,525
Inventories	123,018	114,205
Prepaid expenses	2,662	2,210
Accumulated income tax prepayments	1,994	2,024
Total current assets	<u>210,461</u>	<u>196,130</u>
OTHER ASSETS		
Investment in and advances to foreign affiliates	3,575	1,149
Cash value of life insurance and other assets	2,594	2,639
	<u>6,169</u>	<u>3,788</u>
PROPERTIES	<u>51,609</u>	<u>50,223</u>
	<u>\$268,239</u>	<u>\$250,141</u>
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Current maturities of long term debt	\$ 956	\$ 1,170
Accounts payable and accrued expenses	48,546	42,753
Federal and state income taxes	5,354	4,679
Total current liabilities	<u>54,856</u>	<u>48,602</u>
LONG TERM DEBT, less current maturities		
4½% note payable \$600,000 annually to 1983	6,000	6,600
8½% sinking fund debentures with annual retirements of \$1,750,000 commencing in 1978	35,000	35,000
Notes payable to banks under credit agreement	13,300	9,100
Other debt, extending to 1985	837	1,194
	<u>55,137</u>	<u>51,894</u>
SHAREHOLDERS' EQUITY		
Preferred shares, \$1 par value; authorized 2,500,000; issued and outstanding, Series A, 82,230 in 1972 and 94,440 in 1971	82	94
Common shares, \$2.50 par value; authorized 25,000,000; issued 8,676,295 in 1972 and 8,583,316 in 1971	21,691	21,458
Capital surplus	23,542	22,007
Retained earnings	113,540	106,444
	<u>158,855</u>	<u>150,003</u>
Common shares in treasury, at cost—24,483 in 1972 and 14,828 in 1971	609	358
	<u>158,246</u>	<u>149,645</u>
	<u>\$268,239</u>	<u>\$250,141</u>

(See accompanying notes to consolidated financial statements)

Hart Schaffner & Marx
Consolidated Statement of Changes
in Financial Position *(thousands of dollars)*

	<i>Years ended November 30,</i>	
	<u>1972</u>	<u>1971</u>
Working capital was provided by:		
Net earnings for the year	\$14,190	\$10,350
Depreciation and amortization	6,377	5,905
Working capital provided from operations	20,567	16,255
Issuance of 8½% sinking fund debentures		35,000
Borrowings under bank credit agreement	4,200	
Common shares issued for acquisitions	807	
Stock options exercised	949	295
	<u>26,523</u>	<u>51,550</u>
Working capital was used for:		
Investment in and advances to foreign affiliates	2,426	
Repayment of borrowings under bank credit agreement		39,900
Reduction of other long term debt	957	1,176
Payment of dividends	7,094	7,041
Property additions	7,763	9,249
Purchase of treasury shares	251	119
Debenture issue costs		666
Other	(45)	170
	<u>18,446</u>	<u>58,321</u>
Increase (decrease) in working capital	<u>\$ 8,077</u>	<u>\$ (6,771)</u>
Changes in components of working capital:		
Cash and short term investments	\$ (4,099)	\$ (3,191)
Accounts receivable	9,195	3,116
Inventories	8,813	1,914
Prepaid expenses	452	116
Accumulated income tax prepayments	(30)	(312)
Current maturities of long term debt	214	60
Accounts payable and accrued expenses	(5,793)	(5,476)
Federal and state income taxes	(675)	(2,998)
Increase (decrease) in working capital	<u>\$ 8,077</u>	<u>\$ (6,771)</u>

(See accompanying notes to consolidated financial statements)

Hart Schaffner & Marx
Notes to Consolidated Financial Statements

STATEMENT OF ACCOUNTING POLICIES—The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's investments in twenty to fifty percent owned affiliates are accounted for by the equity method and its investments in companies which are less than twenty percent owned are stated at cost, which is less than market.

Earnings per common share are based on the weighted average number of common shares and common share equivalents outstanding. Stock options and preferred shares have been included as share equivalents and, in the case of stock options, the share equivalents have been reduced by the treasury shares which could have been purchased at the average market prices with the proceeds received had the options been exercised.

Inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

Properties are stated at cost. Accelerated depreciation methods are used for a significant portion of the properties and the straight line method is used for the remainder. Investment tax credits are recorded as income in the year earned and were not material.

PENSION PLANS—The Company and its subsidiaries have pension plans covering substantially all non-union employees and some union employees. The principal plan requires contributions by the employees and one other plan permits voluntary employee contributions. Except for several deferred profit sharing plans of subsidiary companies, all Company contributions are based on actuarial requirements. Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over ten to thirty years. The Company's policy is to fund current and prior service pension costs as accrued.

In addition to the above, the companies contribute amounts based on a percentage of the wages of other union employees to funds administered by the unions for combined employees' welfare and retirement benefits.

Total pension costs for the years ended November 30, 1972 and 1971 were \$2,138,000 and \$2,245,000 respectively. The amounts funded under pension plans exceeded the actuarially computed total of vested benefits at November 30, 1972.

STOCK OPTION PLANS—Under the Company's stock option plans, 378,815 unissued common shares were reserved at November 30, 1972 for options granted or to be granted to officers and key employees. The changes in the number of shares under option during the years ended November 30, 1972 and 1971 were as follows:

	Shares	
	Years ended November 30	
	1972	1971
Under option at beginning of period	346,511	340,401
Granted	41,700	94,660
Expired or terminated	(29,576)	(75,950)
Exercised	(42,287)	(12,600)
Under option at end of period	316,348	346,511
Options exercisable at end of period	178,235	167,500

All options were granted at the highest selling price of the stock on the New York Stock Exchange on the dates of the grants. Options were exercised during the fiscal year 1972 at prices ranging from \$21.58 to \$25.92 per share and during the fiscal year 1971 at prices ranging from \$21.58 to \$26.67 per share, and options outstanding at November 30, 1972 ranged in price from \$18.50 to \$38.67 per share.

LONG TERM DEBT—The Company and a group of banks have a credit agreement which provides that the Company may borrow up to \$15,000,000 and, prior to July 30, 1975, convert all or any portion of it into term loans payable in equal amounts during 1976-1979. Interest rates are substantially at the prime commercial rate. Under the most restrictive of the Company's several borrowing agreements, senior funded debt was limited at November 30, 1972 to approximately \$78,000,000. No limitation exists on subordinated funded debt. The Company is required to maintain consolidated net working capital of \$120,000,000 less any unused commitments under the bank credit agreement. Consolidated retained earnings of \$29,279,000 at November 30, 1972 is not restricted as to the payment of cash dividends.

LEASES—At November 30, 1972, the Company and its subsidiaries were parties to 331 separate noncancellable leases, primarily covering retail properties. Leases expiring by November 30, 1975 require minimum annual rental payments of \$1,419,000 and leases expiring thereafter require minimum annual rental payments of

\$9,441,000. Over ninety percent of the leases provide for the payment by the lessors of all or most of the applicable property taxes, which are substantial in proportion to the minimum rentals. Total rentals include additional rentals based on a percentage of sales (including sales of leased departments) in excess of stipulated minimums. Total rentals paid, including those under short term cancellable leases, were \$15,486,000 in 1972 and \$14,280,000 in 1971.

PROPERTIES—Properties comprised the following:

	November 30,	
	1972	1971
	(thousands of dollars)	
Land	\$ 1,228	\$ 1,207
Buildings & building equipment	10,843	10,678
Furniture, fixtures and equipment	60,255	54,736
Leasehold improvements	35,845	35,103
	108,171	101,724
Accumulated depreciation and amortization	(56,562)	(51,501)
	<u>\$ 51,609</u>	<u>\$ 50,223</u>

CONSENT DECREE—A consent decree entered on June 1, 1970 by the United States District Court requires consent of the Department of Justice before the Company acquires the assets or an interest in any men's clothing store prior to June 1, 1975, and for an additional five years requires such consent or an approval of the Court. In addition, the decree requires the Company to select and dispose of 30 men's stores by October 31, 1973, of which seven were credited as divested by November 30, 1972. Management does not anticipate that the remaining divestitures will have a material adverse effect on the Company's future results of operations or financial position.

PREFERRED SHARES—The Series A preferred shares are voting shares, are each convertible into 1.8 common shares, are cumulative with an annual \$2 dividend rate, provide for a liquidation price of \$67.50 per share (an aggregate of \$5,551,000 at November 30, 1972) and are callable on or after May 1, 1974 at their liquidation price. As at November 30, 1972, there were 148,014 common shares reserved for conversion of the preferred shares.

Report of Independent Accountants

To the Shareholders and Board of Directors of Hart Schaffner & Marx

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, shareholders' equity, and changes in financial position present fairly the financial position of Hart Schaffner & Marx and its subsidiaries at November 30, 1972 and 1971, the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois, January 15, 1973

Price Waterhouse & Co.

Ten Year Summary

Years ended Nov. 30	Net sales (in thousands)	Net earnings (in thousands)	Earnings per share	Cash dividends per share	Shareholders' equity	
					Total (in thousands)	Per share
1972	\$423,114	\$14,190	\$1.61	\$.80	\$158,246	\$17.98
1971	372,022	10,350	1.18	.80	149,645	17.12
1970	363,406	11,370	1.30	.80	146,160	16.74
1969	370,130	15,820	1.87	.80	141,466	16.25
1968	333,805	14,908	1.85	.73	114,965	14.25
1967	287,948	13,458	1.72	.67	99,287	12.77
1966	265,729	13,127	1.69	.53	89,416	11.64
1965	241,106	11,136	1.45	.41	80,387	10.52
1964	211,161	7,118	.95	.36	70,438	9.44
1963	187,968	4,817	.66	.31	64,430	8.85

Figures have been restated for poolings of interests. All per-share statistics have been adjusted to reflect a 2-for-1 split March 25, 1965, a 3-for-2 split January 14, 1966, and a 3-for-2 split February 3, 1969.

Retail Stores Division 258 retail stores and their executive officers

Robert J. Witt, *Chairman and Chief Executive Officer*
 William H. Mier, *President*
 Charles A. DeChants, *Vice President*
 Don A. Miller, *Vice President*
 Henry C. (Chick) Schwartz, *Vice President*
 Jerome Dorf, *Vice President*
 Gene Coccodrilli, *Vice President*
 Matthew F. Shannon, *Vice President*
 Donald Putnam, *Second Vice President*
 Seymour Platt, *Assistant Treasurer*

J. P. ALLEN (5), Atlanta, Ga.—Richard G. Tilghman
 (women's specialty stores)
 B. R. BAKER (3), Cleveland, Ohio—Howard Rubin
 BASKIN (12), Chicago—Urbana, Ill.—Earl Graham and
 Melvin Weber
 BASKIN-OLSON & VEERHUSEN (2), Madison, Wisc.—
 Earl Graham and Melvin Weber
 RAY BEERS, Topeka, Kans.—Philip C. Gibson and
 Ray Beers, Jr.
 BLACKBURN'S (2), Amarillo, Tex.—Calvin McAdams
 CAPPER & CAPPER, LTD. (6), Chicago, Ill., and
 Detroit, Mich.—Robert A. Ratty
 A. M. DAVISON (2), Flint, Mich.—John Cammarata
 DE JONG'S (2), Evansville, Ind.—Merritt deJong and
 Hubert deJong—(women's specialty stores)
 FANNIN'S (3), Montgomery, Ala.—Thomas H. Nelson
 FIELD BROS. (4), New York, N.Y.—Bernard Lefenfeld
 JACK FOX & SONS, Hammond, Ind.—Robert F. Orr
 and Cliff LaReau
 ARTHUR FRANK (2), Salt Lake City, Utah—Simon Frank
 and Lawrence K. Goldsmith
 FRANK BROS. (2), San Antonio, Tex.—Stanley Frank, Sr.,
 and George W. Clarke
 GOLDBERG'S, Elkhart, Ind.—William L. Waterman
 GRIEGER'S, Michigan City, Ind.—William L. Waterman
 HANNY'S (7), Phoenix, Ariz.—William O. Manzer
 HASTINGS (15), San Francisco—Sacramento, Calif.—
 Enzo Belli
 JACK HENRY (3), Kansas City, Mo.—Jack Henry and
 Ernest A. Dick
 HEYWARD MAHON (2), Greenville, S.C.—Bernard M.
 Lipscomb and Glenn E. Turk
 HORSFALLS, Hartford, Conn.—Jay Konner
 J. O. JONES (2), Charlotte, N.C.—William W. Watts
 KLEINHANS (5), Buffalo, N.Y.—Paul G. Rohrdanz and
 Stan Smolen
 KLOPFENSTEIN'S (7), Seattle—Tacoma, Wash. and
 Anchorage, Alaska—Hugh C. Klopfenstein
 KUCHARO'S (2), Des Moines, Iowa—Nate Bernstein
 LANG'S (3), Akron, Ohio—Frank M. Mark
 LEOPOLD PRICE & ROLLE (6), Houston, Tex.—
 Joyce Lehman and Donald W. Dickey
 MORRIS LEVY (2), Savannah, Ga.—James E. Gunning
 LEVY-WOLF (4), Jacksonville, Fla.—David L. Kirkhofer
 LIEMANDT'S (4), Minneapolis, Minn.—John A. Liemandt
 and Thad Larson

LITTLER, Seattle, Wash.—A. A. Littler and Laurence Fry
 THE MAN STORE, Asheville, N.C.—Cliff H. Stevens
 McLEOD WATSON & LANIER (2), Raleigh, N.C.—
 G. Louis Schanze and William C. Burt
 MERRITT SCHAEFER & BROWN (2), Austin Tex.—
 S. H. Ashford and Ronald Kercheville
 NATIONAL CLOTHING COMPANY (4), Rochester, N.Y.—
 George Horwitz and Richard D. Swetonic
 PATTERSON-FLETCHER (3), Ft. Wayne, Ind.—
 C. Dwight Shirey, Norman Tatman & Louis H. Freymuth
 PORTER'S-STEVENSON (4), New Orleans, La.—
 Joseph S. Fishman and Raymond S. Fishman
 JACOB REED'S SONS (8), Philadelphia, Pa.—
 E. J. Hesketh and Theodore Cookenbach
 ROOT'S (2), Summit, N.J.—Perry Franklin Root
 ROSENBLATTS (3), Portland, Ore.—T. Jackson Aycock
 and Bruce Bailey
 SCHREIBER'S, Scranton, Pa.—Harold Barnett
 SHULMAN'S (2), Norfolk, Va.—Leroy Shulman,
 Lewis Shulman and James D. Curnutt
 SILVERWOODS (21), Los Angeles, Calif. and Las Vegas,
 Nev.—Stephen C. Bilheimer and Alex J. Cochrane
 SMALL'S (2), Lansing, Mich.—George J. Clark and
 Norman W. Peterson
 STARK BROS. (4), Harrisburg, Pa.—
 Kenneth R. Stark, Sr., and Val Lavin
 STEVENS (2), Jackson, Miss.—Earl H. Freeman
 CHAS. A. STEVENS (10), Chicago, Ill.—
 John W. Sheldon—(women's specialty stores)
 STUCKEY'S (2), Rockford, Ill.—Raymond H. Schmitz
 and Peter C. Bilheimer
 F. R. TRIPLER & CO., New York, N.Y.—S. S. Daily
 VAN STRAATEN'S (2), Durham, N.C.—Harry J. Van
 Straaten and James Collman
 C. N. VICARY CO. (2), Canton, Ohio—
 Francis J. Sweeney
 WALKERS (5), Columbus, Ohio—Paul F. Cockrell
 WALKERS (3), Dayton, Ohio—Glen L. Waltrip
 WALLACHS (25), New York, N.Y., Connecticut,
 Massachusetts, New Jersey and Rhode Island—
 Frank T. Reilly
 WALLACHS-DICK RICHMOND (4), Miami, Fla.—
 Frank T. Reilly and William Handelman
 WASHER BROS. (2), Ft. Worth, Tex.—Lloyd Tidmore
 WAYMIRE'S (2), Colorado Springs, Colo.—Jack
 Waymire & Lonnie Wagner
 WEATHERWAX, Sioux City, Iowa—Carrol N. Smith and
 Richard L. Foster
 WICKS & GREENMAN (2), Utica, N.Y.—James G. Capps
 and Arthur R. Scoones
 JAS. K. WILSON (7), Dallas, Tex.—
 Charles S. Huyck
 WOLF BROS. (5), Tampa, Fla.—Fred L. Wolf
 WOLFF'S (5), St. Louis, Mo.—William J. Brennan
 ZACHRY (6), Atlanta, Ga.—John H. Brown and
 Charles E. Haupt

Manufacturing Divisions

Hart Schaffner & Marx Clothes

James K. Wilson, Jr., *President*
Bert Amador, *Vice President*
Lawrence D. Feldman, *Vice President*
Thomas J. Flavin, *Vice President*
E. O. (Bert) Hand, *Vice President*
Alfred Katz, *Vice President*
Mark J. Lies, *Vice President and Controller*
William W. Rowlette, *Vice President*
Kurt Schieren, *Vice President*
Donald D. Shorr, *Vice President*
C. Frank Adams, *Second Vice President*
Thomas J. Cody, *Second Vice President*
Stanley W. Johanson, *Second Vice President*
Anthony F. Karson, *Second Vice President*
Alex Rinaldi, *Second Vice President*
Max A. Hart, *Assistant Secretary*
Albert Bergschneider, *Assistant Controller*
Andrew A. Zahr, *Assistant Controller*
LeRoy S. Beckman, *Assistant to the President*
William J. McNally, *Assistant to the President*
Richard Fager, *Vice President of Graham & Gunn, Ltd.*
Howard Zenner, *Executive Vice President of Society Brand, Ltd.*
Joseph G. Peine, *Vice President of Society Brand, Ltd.*
Herbert C. Wallace, Jr., *Senior Vice President of Fashionaire Division*
Eugene M. Aasen, *Vice President of Fashionaire Division*

Hickey-Freeman Co., Inc.

Walter B. D. Hickey, Sr., *President*
Paul S. Brescia, *Vice President*
Frank V. Bruno, *Vice President*
Thomas F. G. Hickey, *Vice President*
Walter B. D. Hickey, Jr., *Vice President*
Richard B. Lyons, *Vice President*
Morris M. Medved, *Vice President*
Donald B. Parish, *Secretary-Treasurer*
Howard Breiterman, *Director*

Jaymar-Ruby, Inc.

Jack M. Ruby, *Chairman*
Burton B. Ruby, *President*
Leonard W. Benowitz, *Executive Vice President*
Nathan S. Balser, *Vice President*
Alf Djuvik, *Vice President*
Jack R. Frank, *Vice President*
Hartley Job, *Vice President*
Al E. Kahan, *Vice President*
Harold Leinwand, *Vice President and Treasurer*
Edwin H. Levitin, *Vice President*
Gerald I. Paige, *Vice President*
Bernard Levine, *Regional Vice President*
James R. Shibko, *Regional Vice President*
John Ward, *Regional Vice President*
June E. Zylstra, *Secretary*

Silver/Gulfstream, Inc.

Gordon A. Kalil, *Vice President*
Morton Kramer, *Vice President*

M. Wile & Company, Inc.

Arthur Gunzberg, *Chairman*
Lawrence Gunzberg, *President*
Anthony Caine, *Vice President*
Joe Diskin, *Vice President*
Harry Feldstein, *Vice President*
Guy Gunzberg, *Vice President*
Norbert Huber, *Vice President, Secretary and Assistant Treasurer*
Theodore Levy, *Vice President*
Arthur Matross, *Vice President*
Frank Norton, *Vice President*
George Odvarka, *Vice President*
Frederick Pepperday, *Vice President*
Edward Robbins, *Vice President*
Victor Jachimowicz, *Second Vice President and Assistant Secretary*

Johnny Carson Apparel, Inc.

Arthur Gunzberg, *Chairman*
Johnny Carson, *President*
Kenneth A. Hoffman, *Vice President*
Gary Thorpe, *Vice President*

Gleneagles/Great Western

Charles R. Lamm, *Chairman*
William D. Asnip, *President*
Roger Holland, *Vice President*
Daniel Kriegel, *Vice President*
Alfred S. Oppenheimer, *Vice President*
Thomas J. Peddicord, *Vice President and Treasurer*
John Robertson, *Vice President*

Austin Reed of Regent Street

Barry A. Reed, *Chairman and President*
Terry Kalish, *Vice President*
David Wolpin, *Vice President*

Craigmore Clothes, Inc.

A. Robert Lauter, *President*
Jerome I. Bold, *Vice President*
Sam Dicker, *Vice President*
M. P. Hershfield, *Secretary*
Lee McCutchen, *Treasurer*

Blue Jeans Corporation

Joel Levitt, *Honorary Chairman*
Richard Wasserman, *Chairman*
Elliott Regen, *President*
Seymour Elkins, *Vice President*
Martin Steinberg, *Vice President*
Stanley Turitz, *Secretary-Treasurer*



Hart Schaffner & Marx

<p>M. WILE & CO., INC. Don Richards Country Casuals <i>Suits and sport coats</i></p>	<p>HART SCHAFFNER & MARX CLOTHES Hart Schaffner & Marx Sterling & Hunt Jack Nicklaus <i>Suits, sport coats, slacks and outercoats</i></p>		<p>HICKEY-FREEMAN CO., INC. Hickey-Freeman Walter-Morton Gilbert & Lodge <i>Suits, sport coats, slacks, outercoats and formalwear</i></p>
<p>JOHNNY CARSON APPAREL, INC. <i>Coordinated clothing and furnishings</i></p>	<p>Society Brand, Ltd. <i>Suits, sport coats, slacks and outercoats</i></p>	<p>Austin Reed of Regent Street <i>Suits, sport coats, slacks and outercoats</i></p>	<p>CRAIGMORE CLOTHES, INC. <i>Suits and sport coats</i></p>
	<p>Graham & Gunn, Ltd. <i>Suits, sport coats, slacks and outercoats</i></p>	<p>Fashionaire <i>Men's and women's career apparel</i></p>	
<p>SPORTSWEAR</p>			
<p>GLENEAGLES GREAT WESTERN <i>Raincoats, outercoats, jackets, car coats, casual coats and coordinated sportswear</i></p>	<p>JAYMAR-RUBY, INC. Jaymar Sansabelt II Cary Middlecoff <i>Sport and dress slacks, sport coat/slack coordinates, and walk shorts</i></p>		<p>BLUE JEANS CORPORATION <i>Jeans and coordinated outfits</i></p>
<p>CALIFORNIA SPORTWEAR CO. <i>Leather and suede sportswear</i></p>	<p><u>Silver/Gulfstream, Inc.</u> Quicksilver Slax PG's <i>Casual and dress slacks, coordinated sweaters and jackets, and walk shorts</i></p>		<p>STUART NELSON APPAREL CO. <i>Coordinated sportswear and accessories</i></p>